

This document contains 1997 forms and instructions for:

- [Form 592](#) - Nonresident Withholding Annual Return
- [Form 592-A](#) - Nonresident Withholding Remittance Statement
- [Form 592-B](#) - Nonresident Withholding Tax Statement

19

Nonresident Withholding Annual Return

592

If you withheld on foreign (non U.S.) partners, use Section B (on Side 2) of this form. If you withheld on both foreign partners and other payees, file a separate Form 592 for the foreign partners.

Section A: Independent contractors; rents and royalties; estates; trusts; domestic nonresident partner/members; and other entities.

Check one box: ☐ Form 592-B attached for each recipient ☐ Form 592-B information on attached list.
☐ Form 592-B information on enclosed magnetic media. See separate instructions for Forms 592, 592-A and 592-B.

Social security number of withholding agent

☐ California corporation no. ☐ FEIN

Daytime telephone number

Part I Withholding Agent (Payer)

Name of withholding agent (payer)

Contact person

Address (number and street)

Principal Business
Activity Code

City

State

ZIP code (or equivalent)

Part II Type of Income Subject to Withholding

☐ Payment to Independent Contractor ☐ Rents or Royalties ☐ Estate Distributions ☐ Trust Distributions☐ Distributions to Domestic Nonresident Partners/Members (see Section B for withholding on foreign partners/members) ☐ Other _____

- 1 Enter number of Forms 592-B for the type of income checked above 1 _____
 2 Total amount of California source income subject to withholding 2 _____
 3 Total withholding due 3 _____
 4 Prior payments for the above calendar year

(a) Date	(b) Amount	(c) Date	(d) Amount	(e) Date	(f) Amount
Total Column (b)		Total Column (d)		Total Column (f)	

Total payments for the above calendar year. Add the totals from column (b), column (d) and column (f) and enter the sum here . . . 4 _____

Part III Remittance

- 5 **Balance due.** Subtract line 4 from line 3 and enter the balance due. (If this amount is less than zero, enter -0-.) Attach a check or money order for the full amount payable to

"Franchise Tax Board." Write the payer's social security number, California

corporation number, or FEIN and "Form 592" on the check or money order 5 \$

Mail Form 592 to the **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001**

Part IV Tax Withheld by Another Entity on Above Partnership, LLC, Estate or Trust

- 6 Enter number of additional Forms 592-B attached, flowing through the credit. The credit must be allocated to all partners, members or beneficiaries whether residents or nonresidents of California, according to their interests in the above partnership, LLC, estate or trust . . . 6 _____
 7 Enter amount withheld by another entity and being allocated to the partners, members or beneficiaries. This credit must be documented by a Form 592-B from the withholding entity. (If this is an estate or trust, do not include any credit being used on Form 541 against tax owed on income retained by the estate or trust.) 7 _____

Part V Perjury Statement

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than withholding agent) is based on all information of which preparer has any knowledge.

Name and title of withholding agent (payer)

Signature of withholding agent (payer)

Date

Name and title of preparer other than withholding agent (payer)

Signature of preparer other than withholding agent (payer)

Address of preparer

()

Daytime telephone number of preparer

SSN/FEIN of preparer

Section B: Foreign partners and members for taxable year beginning MMDD 19YY, and ending MMDD 19YY.

Check one box: ☐ Form 592-B attached for each recipient. ☐ Form 592-B information on attached list. ☐ Form 592-B information on enclosed magnetic media. See separate instructions for Forms 592, 592-A and 592-B.

Part I Withholding Agent (Partnership or Limited Liability Company (LLC))

Name of withholding agent (partnership or LLC)		Contact person	FEIN of withholding agent	
Address (number and street)			Principal Business Activity Code	
City	State	ZIP code (or equivalent)	Daytime telephone number	
			()	

Part II Tax Withheld — Foreign Nonresident Partners or Members

- 1 Are all partners or members foreign (non U.S.) nonresidents? 1 ☐ Yes ☐ No
- 2 Enter number of Forms 592-B for foreign partners or members 2
- 3 Total California source taxable income allocable to:
- a Noncorporate foreign nonresident partners or members \$ x % 3a
- b Corporate foreign nonresident partners or members \$ x % 3b
- c Foreign banks and financial institution partners or members \$ x % 3c
- 4 Total foreign partner or member withholding due. Add line 3a through line 3c 4
- 5 Prior payments of foreign partner or member withholding for the taxable year shown above

(a) Date	(b) Amount	(c) Date	(d) Amount	(e) Date	(f) Amount
Total Column (b)		Total Column (d)		Total Column (f)	

- Total payments for the taxable year. Add the totals from column (b), column (d) and column (f) and enter the sum here. 5
- 6 Amount credited from prior year's withholding 6
- 7 Total payments. Add line 5 and line 6 7
- 8 Subtract line 7 from line 4 and enter the **balance due**. If this amount is less than zero, enter -0-. Attach a check or money order for the full amount payable to "Franchise Tax Board." Write the partnership's or LLC's FEIN and "Form 592" on the check or money order 8 \$
- Mail Form 592 to FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001
- 9 If line 7 is more than line 4, subtract line 4 from line 7 and enter the **overpayment** 9
- 10 Enter the amount of line 9 you want **credited to next year's Form 592** 10
- 11 Subtract line 10 from line 9 and enter the amount of **refund** 11 \$

Part III Tax Withheld by Another Entity on Above Partnership or LLC

- 12 Enter number of additional Forms 592-B attached, flowing through the credit. The credit must be allocated to all partners or members, whether residents or nonresidents of California, according to their interests in the above partnership or LLC 12
- 13 Enter amount withheld by another entity and being allocated to the partners or members. This credit must be documented by a Form 592-B from the withholding entity. If any of the withholding credit is retained to offset tax at the partnership or LLC level, show only the net flow through amount. 13

Part IV Perjury Statement

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than withholding agent) is based on all information of which preparer has any knowledge.

Name and title of withholding agent, partner of partnership or member of LLC

Signature

Date

Name and title of preparer other than withholding agent, partner or member

Signature

Date

Address of preparer (if different from the address shown above)

()

Daytime telephone number

SSN/FEIN of preparer

For Privacy Act Notice, see form FTB 1131 (individuals only).

Nonresident Withholding Remittance Statement

592-A

Withholding agent

Withholding agent										Preparer (if other than withholding agent)																			
Social security number							-	-			Social security number							-	-										
<input type="checkbox"/> California corporation number or <input type="checkbox"/> FEIN											<input type="checkbox"/> California corporation number or <input type="checkbox"/> FEIN																		
Name										Name of preparer																			
Address (number and street)										Address (number and street)																			
City					State					ZIP code					City					State					ZIP code				
Contact person					Daytime telephone number ()					Contact person					Daytime telephone number ()														
Principal Business Activity Code (Do not leave blank)																													

- | | | |
|---|--|---|
| 1 | Amount of independent contractor withholding | 1 |
| 2 | Amount of rent or royalty withholding | 2 |
| 3 | Amount of estate withholding | 3 |
| 4 | Amount of trust withholding | 4 |
| 5 | Amount of foreign partner or member withholding.
For taxable years beginning <u> </u> / <u> </u> / <u> </u> , and ending <u> </u> / <u> </u> / <u> </u> . | 5 |
| | MONTH DAY YEAR MONTH DAY YEAR | |
| 6 | Amount of domestic (nonforeign) nonresident partner or member withholding. See instructions | 6 |
| 7 | Amount of other withholding _____
(describe) | 7 |
| 8 | Amount of interest due | 8 |
| 9 | Total amount of this payment. Add line 1 through line 8 | 9 |

A 10x10 grid is shown. At the bottom left corner, there is a dollar sign (\$). Along the right edge of the grid, there is a vertical line of 10 dots, one in each row.

Installment payment worksheet for Revenue & Taxation Code (R&TC) Section 18666
tax for a foreign partner or member

Complete only if the partnership or limited liability company (LLC) has foreign partners or members.

Caution: Complete column (a) before going to the next column.

Caution: Complete column (a) before going to the next column.

	(a) 1st Installment	(b) 2nd Installment	(c) 3rd Installment	(d) 4th Installment
1 Enter the partnership's or LLC's California source taxable income for each period	1	First 3 months	First 6 months	First 9 months
2 Annualization amounts		4	2	1.33333
3 Multiply line 1 by line 2				
4 Enter the partnership's or LLC's California source taxable income for each period		First 3 months	First 5 months	First 8 months
5 Annualization amounts	4	2.4	1.5	1.09091
6 Multiply line 4 by line 5				
7 Annualized California source taxable income. In column (a), enter the amount from line 6, column (a). In columns (b), (c) and (d) enter the smaller of the amounts in each column from line 3 or line 6				
8 Foreign partner's or member's annualized California source taxable income. Enter the foreign partner's or member's share of line 7				
9 Multiply line 8 by maximum tax rate				
10 Applicable percentage	23.75%	47.5%	71.25%	95%
11 Multiply line 9 by the percentage on line 10				
12 Add the amounts in all preceding columns of line 13 (except column (a))				
13 Installment payments of withholding tax due for foreign partner or member. Subtract line 12 from line 11. If less than zero, enter -0-				

Mail Form 592-A to the **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001**

For Privacy Act Notice, see form FTB 1131 (individuals only).

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Nonresident Withholding Tax Statement

592-B

Attach to Form 592 for each recipient. See the separate instructions for Forms 592, 592-A and 592-B.

Copy A
FOR FRANCHISE TAX BOARD

Part I Recipient

Recipient's name, address (number and street), city, province or state, postal code, and country

Part II Withholding agent (Payer/Partnership/Limited Liability Company)

Withholding agent's (payer's/partnership's/limited liability company's) name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN

☐ Social security no., ☐ California corporation no. or ☐ FEIN

Part III Preparer (if other than withholding agent)

Preparer's name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN

Part IV Type of income subject to withholding. Check the applicable box(es).

☐ Payment to Independent Contractor ☐ Rents or Royalties ☐ Estate Distributions ☐ Trust Distributions ☐ Allocations to Foreign Partner/Member ☐ Distributions to Domestic (Nonforeign) Nonresident Partner/Member ☐ Other _____ (describe)

Part V Tax Withheld

1 Total amount subject to withholding	1	
2 Total California tax withheld	2	

For Privacy Act Notice, see form FTB 1131 (Individuals only).

Form 592-B (REV. 1997) **Side 1**

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Nonresident Withholding Tax Statement

592-B

Copy B**FILE WITH YOUR STATE RETURN****Part I Recipient**

Recipient's name, address (number and street), city, province or state, postal code, and country

Part II Withholding agent (Payer/Partnership/Limited Liability Company)

Withholding agent's (payer's/partnership's/limited liability company's) name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN☐ Social security no., ☐ California corporation no. or ☐ FEIN**Part III Preparer (if other than withholding agent)**

Preparer's name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN**Part IV Type of income subject to withholding. Check the applicable box(es).**

☐ Payment to Independent Contractor
 ☐ Rents or Royalties
 ☐ Estate Distributions
 ☐ Trust Distributions
 ☐ Allocations to Foreign Partner/Member
 ☐ Distributions to Domestic (Nonforeign) Nonresident Partner/Member
☐ Other _____ (describe)

Part V Tax Withheld

1 Total amount subject to withholding	1	
2 Total California tax withheld	2	

For Privacy Act Notice, see form FTB 1131 (Individuals only).Form 592-B (REV. 1997) **Side 1**

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Nonresident Withholding Tax Statement

592-B

Copy C
FOR RECIPIENT'S RECORDS**Part I Recipient**

Recipient's name, address (number and street), city, province or state, postal code, and country

Part II Withholding agent (Payer/Partnership/Limited Liability Company)

Withholding agent's (payer's/partnership's/limited liability company's) name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN☐ Social security no., ☐ California corporation no. or ☐ FEIN**Part III Preparer (if other than withholding agent)**

Preparer's name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN**Part IV Type of income subject to withholding. Check the applicable box(es).**

<input type="checkbox"/> Payment to Independent Contractor	<input type="checkbox"/> Rents or Royalties	<input type="checkbox"/> Estate Distributions	<input type="checkbox"/> Trust Distributions	<input type="checkbox"/> Allocations to Foreign Partner/Member	<input type="checkbox"/> Distributions to Domestic (Nonforeign) Nonresident Partner/Member	<input type="checkbox"/> Other _____ (describe)
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Part V Tax Withheld

1 Total amount subject to withholding	1	
2 Total California tax withheld	2	

For Privacy Act Notice, see form FTB 1131 (Individuals only).Form 592-B (REV. 1997) **Side 1**

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Nonresident Withholding Tax Statement

592-B

**Copy D
FOR WITHHOLDING AGENT****Part I Recipient**

Recipient's name, address (number and street), city, province or state, postal code, and country

Part II Withholding agent (Payer/Partnership/Limited Liability Company)

Withholding agent's (payer's/partnership's/limited liability company's) name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN☐ Social security no., ☐ California corporation no. or ☐ FEIN**Part III Preparer (if other than withholding agent)**

Preparer's name, address (number and street), city, state, and ZIP code

Daytime telephone number

()

☐ Social security no., ☐ California corporation no. or ☐ FEIN**Part IV Type of income subject to withholding. Check the applicable box(es).**

☐ Payment to Independent Contractor
 ☐ Rents or Royalties
 ☐ Estate Distributions
 ☐ Trust Distributions
 ☐ Allocations to Foreign Partner/Member
 ☐ Distributions to Domestic (Nonforeign) Nonresident Partner/Member
 ☐ Other _____ (describe)

Part V Tax Withheld

1 Total amount subject to withholding	1	
2 Total California tax withheld	2	

For Privacy Act Notice, see form FTB 1131 (Individuals only).Form 592-B (REV. 1997) **Side 1**

RECIPIENT:**IMPORTANT — PLEASE READ**

The withholding of tax does not relieve you of the liability to file a California tax return within three months and fifteen days (for individuals and fiduciaries) or two months and fifteen days (for corporations) after the close of your taxable or income year. If you cannot file the return by the due date, an automatic six-month extension to file is granted. However, 100% of your tax liability must be paid by the original due date.

To determine if you must file a tax return, refer to the instructions for: Form 540, California Resident Income Tax Return, and 540NR, California Nonresident or Part-Year Resident Income Tax Return, for individuals; Form 100, California Corporation Franchise or Income Tax Return, 100S, California S Corporation Franchise or Income Tax Return, for corporations; and Form 541, California Fiduciary Income Tax Return, for fiduciaries. You may order California tax forms by writing to: **TAX FORMS REQUEST UNIT, FRANCHISE TAX BOARD, PO BOX 307, RANCHO CORDOVA CA 95741-0307.**

Even if you are not required by the law to file a return, you should file a return if California tax has been withheld. **(For more information, call 1-800-852-5711 from within the United States, or 1-916-845-6500 from outside the United States.)**

You may be assessed a penalty if you file your return late, if the amount withheld is not enough to satisfy your tax liability or if you fail to file a return and your California income exceeds the amounts prescribed by law for filing a return.

When filing your California tax return, attach Copy B of this form to the face of your return as you would a federal Form W-2. Individuals and fiduciaries should enter the amount from Part V, line 2 of this form on the "California income tax withheld" line of their return. Corporations should enter the amount on the "Estimated tax payments" line of their return.

Keep Copy C for your records.

WITHHOLDING AGENT:

You are required to file Copy A of this form together with Form 592, Nonresident Withholding Annual Return, with the Franchise Tax Board. See the instructions for Forms 592, 592-A and 592-B for time and place for filing returns of tax withheld at source.

Direct correspondence to: **WITHHOLD-AT-SOURCE SECTION, FRANCHISE TAX BOARD, PO BOX 651, SACRAMENTO CA 95812-0651**, or telephone: (916) 845-4900.

File **Copy A** with Form 592, Nonresident Withholding Annual Return.

Copies B and C are for the recipient.

Copy D is for the withholding agent's records.

Side 2 Form 592-B (REV. 1997)

Instructions for Forms 592, 592-A and 592-B

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997**, and to the California Revenue and Taxation Code (R&TC).

What's New

1. Withholding on distributions of California source income to domestic nonresident partners is now reported on Side 1 of Form 592. If you withheld on both foreign (non U.S.) partners and other payees, file a separate Form 592 for the foreign partners. See General Instructions J for the differences between foreign partner withholding and withholding on other payees.
2. For California withholding purposes only, a reference in these instructions to "partnership" or "partner" should also be considered to refer to a "limited liability company (LLC)" or "member", respectively, if the LLC is treated like a partnership for tax purposes.
3. For California withholding purposes only, a reference in these instructions to "nonresident" means individuals who are not residents of California, corporations not qualified through the California Secretary of State's office to do business in California or having no permanent place of business in California, partnerships with no permanent place of business in California, grantor trusts with nonresident grantors, irrevocable trusts without at least one California resident trustee or estates where the decedent was not a California resident.

General Instructions

A Purpose

Form 592, Nonresident Withholding Annual Return. Use this form to report the total withholding for the year under R&TC Sections 18662 and 18666. Form 592 is also a transmittal form for Form(s) 592-B, Nonresident Withholding Tax Statement. See General Instructions J for special rules relating to withholding on foreign partners or members of a partnership or LLC.

Do not use Form 592 if:

- Withholding is for the sale of real estate. In that case, get Form 597, Nonresident Withholding Tax Statement for Real Estate Sales, to report and remit real estate withholding; or
- Form 594, Notice to Withhold Tax at Source, has been issued for a particular engagement. Complete Form 594 and return Copy A with payment of tax withheld to the Franchise Tax Board (FTB).

Form 592-A, Nonresident Withholding Remittance Statement. Use this form to make payments to the FTB under R&TC Sections 18662 and 18666. Each payment made during the year must be accompanied by Form 592-A.

Form 592-B, Nonresident Withholding Tax Statement. Use this form to show the amount of income subject to withholding and tax withheld for nonresidents for the year.

File a separate Form 592-B for each nonresident. Copy A of Form 592-B must be attached to Form 592 and must be filed annually with the FTB.

Nonresidents: Attach Copy B of Form 592-B to your Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, to claim credit for tax withheld. Enter the amount of tax withheld on the income tax withheld line of that return. Any residents who were withheld upon would also receive Copy B of Form 592-B and should attach it to their Form 540, California Resident Income Tax Return, and enter the amount of tax withheld on the income tax withheld line of that return. A corporation must attach Copy B of Form 592-B to its Form 100, California Corporation Franchise or Income Tax Return, or Form 100S, California S Corporation Franchise or

Income Tax Return and enter the amount of tax withheld on the estimate payment line of that return. An estate or trust must attach Copy B of Form 592-B to its Form 541, California Fiduciary Income Tax Return if the income is not distributed to the beneficiaries.

Copy C is retained by the recipients for their records.

Copy D is retained by the withholding agents for their records.

B Who Must File

Any individual or entity making payments or allocations of income to individuals who are nonresidents of California or to corporations or partnerships that do not have a permanent place of business in California, must withhold tax from such payments and remit the amount withheld to the FTB.

C Withholding Rates

R&TC Section 18662 and the related regulations require withholding on payments made to nonresidents for income received from California sources. The withholding rate is 7% unless a reduced rate is authorized by the FTB. Get Form 588, Nonresident Withholding Waiver Request, to request a reduced rate or waiver. For information on foreign partner withholding see General Instructions J.

D Income Subject to Withholding

The items of income subject to withholding include, but are not limited to:

- Compensation for services performed in California by nonresidents (including payment of expenses not separately stated). For more information, get FTB Pub. 1023, Nonresident Withholding – Independent Contractor, Rent and Royalty Guidelines, or FTB Pub. 1024, Nonresident Withholding – Entertainment Guidelines;
- Payments to nonresidents for rents or royalties on property (real or personal) located in California. For more information, get FTB Pub. 1023;
- Distributions of California source income to nonresident beneficiaries from an estate or trust;
- Prizes and winnings received by nonresidents for contests in California;
- Partnership income, gain or (loss) allocable under IRC Section 704 to a foreign nonresident partner (see General Instructions J);
- Distributions of California source income to a domestic (nonforeign) nonresident partner. For more information get FTB Pub. 1017, Nonresident Withholding – Partnership Guidelines; and
- Other payments of California source income made to nonresidents.

Compensation for services includes payments for services rendered in California, commissions paid to salesmen or agents for orders received or sales made in California, fees for professional services rendered in California, and payments to entertainers, wrestlers, boxers, etc., for performances in California.

When compensation is paid for services performed both within and outside of California, the portion paid for services rendered in this state and subject to withholding should be determined by an allocation.

E Exceptions to Withholding

Withholding is not required when:

- The payment is for goods;
- The payment is being made to a resident of California or to a corporation, partnership or an LLC that has a permanent place of business in California. Form 590, Withholding Exemption Certificate, can be used by vendors/payees to certify that they are residents of California or

have a permanent place of business in California. The signed form containing this certification should be retained by the withholding agent and be provided to the FTB upon request. Withholding agents will be relieved of the withholding requirements if they rely in good faith on a signed Form 590 stating that the vendor/payee is a resident of California or has a permanent place of business in California. If the resident, corporation or partnership that has a permanent place of business in California is acting as an agent for the actual vendor/payee, this exception does not apply;

- The total payments of California source income to the vendor/payee by the withholding agent are \$1,500 or less for the calendar year (for foreign partners, see General Instructions J);
- The payments are for income from intangible personal property, such as interest and dividends unless derived in a California trade or business or the property has acquired a business situs in California;
- The payments are for services performed outside of California or for rents, royalties and leases on real estate located outside of California;
- The vendor/payee is a tax-exempt organization or qualified pension plan under either California or federal law;
- The payments are wages paid to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information contact your local EDD office;
- The vendor/payee receives a written authorization from the FTB waiving the withholding;
- The domestic nonresident partner provides the partnership with a signed Form 590-P, Nonresident Withholding Exemption Certificate for Previously Reported Income of Partners and Members; or
- The income of nonresident partners including a bank or corporation, is derived from qualified investment securities of an investment partnership.

F Waivers and Reduced Rates

The FTB will generally grant a waiver if:

- The vendor/payee has a history of filing California returns including the most recently due return;
- The vendor/payee is currently making estimated tax payments;
- Distributions are made by publicly traded partnerships; or
- Distributions are made to brokerage firms and tiered partnerships.

Reduced withholding rates will generally be granted when the 7% withholding rate results in significant over-withholding.

Note: There is no provision in the law to allow waivers or reduced withholding to foreign partners. Get Form 588 to request a waiver or a reduced rate of withholding.

If the distribution from a partnership is determined to be a return of capital or does not represent taxable income for the current or prior years, no withholding is required. Although a waiver is not required in these situations, the partnership may be liable for the withholding if, at audit, the FTB determines that the distribution represented taxable income.

G Interest and Penalties

The law provides for interest on late payments of withholding. Interest is computed from the due date of the withholding to the date paid.

Failure to withhold may result in the withholding agent being personally liable for the amount of tax that should have been withheld and for interest and penalties.

H When and Where to File

Form 592: For withholding on domestic nonresident partners, independent contractors, recipients of rents and royalties and beneficiaries of estates and trusts, file Form 592 on or before January 31st following the close of the calendar year.

Note: Withholding on distributions of California source income to domestic nonresident partners is now reported on Form 592, Side 1. For withholding on foreign (non-U.S.) partners see General Instruction J.

If a partnership has both foreign and domestic nonresident partners, a separate Form 592 must be filed for each type of partner. Include the total amount of withholding not previously remitted and Copy A of Form(s) 592-B or attach a list to Form 592 containing the information reported on Form 592-B. The withholding agent must still provide Copy B and Copy C of Form 592-B to each vendor/payee.

Form 592-A: File Form 592-A with the payment of withholding by the 20th day of the month following the month that the total amount withheld from all vendors/payees exceeds \$2,500. For withholding on foreign partners see General Instruction J.

Form 592-B: Copy B and Copy C of Form 592-B must be sent to the payee by the same time that Form 592 is due to the FTB.

Except for foreign partners, withholding of tax by withholding agents shall be on a calendar year basis, regardless of the accounting period adopted by the vendor/payee or withholding agent. For foreign partners, withholding of tax depends on the tax year of the partnership. See General Instruction J for information regarding withholding on foreign partners.

Send forms and payment of tax withheld at source to:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001

I Magnetic Media Filing

Withholding information may be submitted to the FTB via magnetic media. Withholding agents filing on magnetic media need not file year-end paper withholding documents with the FTB for individual vendors/payees. However, withholding agents must continue to provide vendors/payees with Form 592-B, showing their California income and withholding amounts for the year. For more information on magnetic media, get FTB Pub. 1023F, Nonresident Withholding – Magnetic Media Guidelines, or call (916) 845-3778.

J Foreign (Non U.S.) Partner Withholding

R&TC Section 18666 requires withholding on income from California sources which is allocated to foreign partners. This section generally conforms to federal Internal Revenue Code (IRC) Section 1446. State law relating to withholding on foreign partners follows federal law, and is therefore different from rules for withholding on domestic partners. The differences are:

- Foreign partner withholding is **based on allocations** of California source income rather than distributions.
- There is **no minimum** threshold before withholding is required.
- The foreign partner withholding rate is the **maximum California tax rate** applicable to the partner (corporations 8.84%, banks 10.84%, foreign

partners that are not corporations or banks 9.3%).

- **Payments are due quarterly** to the FTB with Form 592-A, Nonresident Withholding Tax Statement, on the 15th day of the 4th, 6th, 9th and 12th months of the partnership's tax year.
- Form 592, Nonresident Withholding Annual Return, is due on or before the 15th day of the 4th month following the close of the partnership's tax year. (If all the partners are foreign, Form 592 must be filed on or before the 15th day of the 6th month after the close of the partnership's tax year.)
- Excess withholding on foreign partners can be carried over to the following year.
- There are no provisions in the law to waive or reduce withholding on foreign partners.

(See federal Revenue Procedure 89-31 for more information on foreign partner withholding.)

K Additional Information

To request a Withhold-At-Source publication, or for more information, contact:

WITHHOLD-AT-SOURCE SECTION
FRANCHISE TAX BOARD
PO BOX 651
SACRAMENTO CA 95812-0651
Telephone: (916) 845-4900
FAX Number: (916) 845-4831

Specific Instructions

Form 592, Nonresident Withholding Annual Return

Complete and sign Form 592, Side 1, Section A if you are reporting withholding on independent contractors, rents and royalties, beneficiaries of domestic nonresident partnerships, or other entities. Complete and sign Form 592, Side 2, Section B if you are reporting withholding on foreign partners. Check the appropriate box at the top of the form to show how you are providing Form 592-B information.

If you withheld on both foreign partners and other payees, file a separate Form 592 for the foreign partners. See General Instruction J for the differences between foreign partner withholding and withholding on other payees.

Complete Form 592, Section A, Part II or Section B, Part II at the end of the year to determine the total amount of withholding for the year and any remaining balance due. Enter the amounts paid to the FTB during the tax year and the dates of the payments to help reconcile the year-end totals. To determine if a final payment for the year is required, subtract the total of payments made during the year from total withholding tax due and enter the balance. If the balance due is zero, no additional payments are needed. If a balance is due, submit the additional withholding with Form 592.

To meet required payment dates and annual return filing dates for withholding, you may have to make reasonable estimates of income on which to base withholding. The FTB will not assess underpayment or late payment penalties if estimates are reasonable and based on the information available to the withholding agent at the time.

If a partnership, estate or trust is withheld upon by another entity, the credit must be allocated to all partners, members or beneficiaries, whether residents or nonresidents of California, according to their interests in the partnership, estate or trust.

If the withholding by the other entity was done because the partnership, estate or trust was a foreign partner, use Part III of Section B (on Side 2). Otherwise, use Part IV of Section A (on Side 1). Attach Form 592-B from the withholding entity to Form 592 to document the credit. If any of the withholding credit is retained to offset tax at the partner-

ship, estate or trust level, show only the net flow through amount in Part IV of Section A or Part III of Section B.

Form 592-A, Nonresident Withholding Remittance Statement

General withholding. Complete and mail Form 592-A to the FTB with payment each time tax withheld from all vendors/payees exceeds \$2,500. Enter the amount of tax withheld on the appropriate lines. Payment of tax withheld at the end of the year that is less than or equal to \$2,500 is submitted with Form 592.

Foreign nonresident partners. If a partnership has foreign nonresident partners, the partnership must make four installment payments of withholding during the taxable year. In general, the amount of a partnership's installment payment is equal to the sum of the installment payments for each of the partnership's foreign partners. For a foreign partner, an installment amount of the R&TC Section 18666 tax is correct if figured by applying the principles of IRC Section 6655(e)(2). To figure installment payments under this method, use the worksheet on Form 592-A. The worksheet provides for the annualization of the partnership income and is used throughout the year to compute each installment payment.

As an alternative to completing the worksheet, each installment payment during the tax year may be made in an amount equal to 25% of the withholding that would be payable on the partnership's California source taxable income allocable to foreign partners for the prior year if the following three conditions are met:

1. The prior tax year consisted of 12 months;
2. The partnership filed Form 565, Partnership Return of Income, (an LLC must file Form 568, Limited Liability Company Return of Income), for the prior year; and
3. The amount of California source taxable income for the prior year was not less than 50% of the California source taxable income for the current year.

Form 592-B — Nonresident Withholding Tax Statement

Complete Form 592-B at the end of the year and attach Copy A to Form 592. Send Copy B and Copy C to the recipient. Withholding agents should retain Copy D for their records.

The total amount of all withholding for all Form 592-B's should equal the total amount of withholding on Form 592.